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JUN 20 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

June 20, 1996

* VIRGINIA BAR ONLY
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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, DC 20554


Re: CC Docket No. 96-98

NOTICE OF EX PARTE PRESENTATION

Dear Mr. Caton:

Please include the attached letter to Chairman Hundt in the record of the above-referenced proceeding.

Sincerely,


Mitchell F. Brecher

Enclosure

40923.1/0096

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Paul B. Jones
Senior Vice President
Regulatory & Public Policy



June 20, 1996

6/20/96
[Handwritten signature]

Honorable Reed E. Hundt
Chairman
Federal Communications Commission
Washington, DC 20554

Dear Chairman Hundt:

I write as you enter the remaining weeks before the final interconnection rules are adopted in order to underscore once again that true facilities-based competition must not be disadvantaged relative to resale. In particular, I note that several recent telecommunications trade publications have reported statements attributed to you that express the view that local telecommunications competition will come about only when significant interconnection agreements are reached between Bell Operating Companies (BOCs) and the largest interexchange carriers -- AT&T and MCI. While we recognize that your statements may have been taken out of context, we nonetheless find those reported statements to be of some concern to facilities-based providers such as Time Warner Communications. We hope that they reflect only a portion of your vision of how local telecommunications competition will develop and that the Commission's final rules will provide a framework for viable interconnection agreements between the BOCs and various competing local service providers.

Time Warner Communications certainly recognizes that the major interexchange carriers have the potential to become significant local service competitors. However, their size and national scope will not by themselves make those companies significant competitors in any local service markets. As we have discussed with you many times, Time Warner Communications believes that meaningful local competition will come about primarily through the development of alternative facilities-based networks, and that cable companies, including Time Warner, hold the greatest promise of providing such facilities-based local competition to all local markets -- business as well as residential. This vision also was articulated in the Conference Report accompanying the Telecommunications Act of 1996.

As you know, Time Warner for many months has been attempting to negotiate an interconnection agreement with Ameritech-Ohio which would enable it to commence provision of competing local service in Ohio. To date, we have been unable to conclude an agreement with Ameritech. Time Warner is concerned that comments indicating that significant local competition depends upon interconnection agreements between Bell Operating Companies and AT&T or MCI undoubtedly will reduce those BOCs' incentives to negotiate in good faith with other local carriers, including facilities-based carriers like Time Warner. To the extent that the

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BOCs, including Ameritech, believe that their ability to demonstrate compliance with the interLATA service checklist depends primarily upon their execution of interconnection agreements with the largest interexchange carriers, they will have little incentive to pursue interconnection agreements with those facilities-based local competitors who are not major interexchange carriers. This would be an unfortunate development since the interconnection needs of those companies are likely to differ in many respects from the needs of AT&T and MCI.

The notion that local competition depends upon interconnection agreements with AT&T and MCI and that the evolving telecommunications markets will be an oligopoly consisting of the Bell Operating Companies, AT&T, MCI and possibly GTE is fundamentally adverse to Time Warner's telecommunications goals. That view discounts the roles that other competitors, including cable companies like Time Warner, will play in bringing competition to those markets. Construction of competing facilities-based networks will require massive capital investment. An unfortunate consequence of the misinterpretation of those comments may be to discourage investors from committing the substantial capital resources necessary to construct alternative local networks, except for those of AT&T and MCI.

We appreciate the many public statements that you and your fellow commissioners have made recently on the need for national uniform guidelines to govern interconnection and local telecommunications competition. As the Commission adopts its final rules, we strongly urge you to ensure that local competition goes beyond the incumbent local exchange carriers and the largest interexchange carriers. Rather, the rules and policies should encourage development of networks by other entities with the resources and the commitment to provide competing local services over their own networks.

Thank you again for the opportunities you have provided to us to speak with you on these important public policy issues. Please do not hesitate to contact us if we can answer any remaining questions or be of assistance in any way.

Sincerely,


Paul B. Jones
Senior Vice President
Regulatory and Public Policy